



**Massachusetts Bay
Transportation Authority**

FY19 Preliminary Operating Budget Vote

March 19, 2018



Updated FY19 Budget Timeline

- MARCH 19:** Scheduled FMCB vote to release FY19 Preliminary Itemized Budget to MBTA Advisory Board
- MARCH 26:** Budget Discussion Follow Ups: Strategic Hire Update, Revenue Update
- APRIL 9:** Scheduled FMCB vote to release the Approved Itemized Budget to MBTA Advisory Board
- APRIL 15:** Statutory deadline for FMCB to approve FY19 Budget



Agenda

- 1. Reminder of FMCB Budget Statutes**
- 2. FY19 Preliminary Itemized Operating Budget**
- 3. FMCB Vote Language**
- 4. Appendix – Additional FY19 Budget Details**



FMCB Statute #1: Separate capital and operating budgets

**Under Section 5 of Chapter 46 of the Acts of 2015,
the FMCB is directed to:**

*“Establish separate operating and capital budgets
each with clearly designated revenue sources and
uses and establish policies and procedures to ensure
that no funds are commingled between operating
and capital budgets”*



FMCB Statute #2: Deliver a balanced operating budget

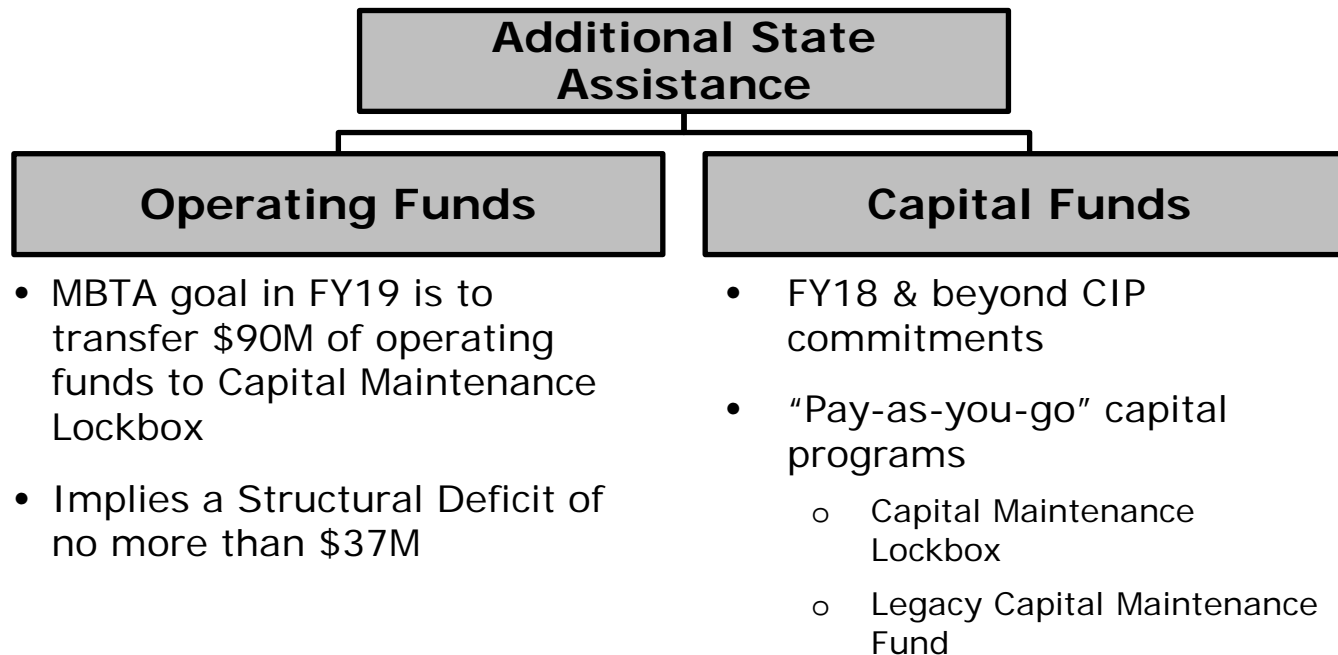
Under Section 203 of Chapter 46 of the Acts of 2015, the FMCB may:

“Establish 1- and 5-year operating budgets, beginning in fiscal year 2017, which are balanced primarily through a combination of internal cost controls and increased own-source revenues”



Additional State Assistance is restricted in its uses

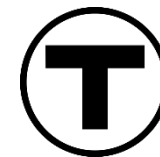
“Funding shall be used solely for repayment of debt encumbered prior to 2001 and debt associated with mitigation commitments related to the Central Artery Tunnel Project, the movement of costs from the capital to operating budget, pay-as-you-go capital programs, or debt service for new borrowing related to improving the system's state of good repair...”





Agenda

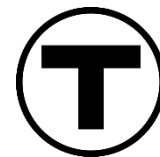
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FY19 Preliminary Itemized Operating Budget

| | (\$M) | FY18 BUDGET RECAST | FY19 BUDGET PRELIM. | \$ VARIANCE | % VARIANCE |
|---------------------------|-----------------------------------|--------------------------|---------------------------|----------------|---------------|
| REVENUES | Operating Revenues | \$755.9 | \$773.0 | \$17.1 | 2.3% |
| | Non-Operating Revenues | \$1,221.1 | \$1,247.8 | \$26.7 | 2.2% |
| | Total Revenues | \$1,977.0 | \$2,020.8 | \$43.8 | 2.2% |
| EXPENSES | Wages, Benefits and Payroll Taxes | \$764.0 | \$771.8 | \$7.8 | 1.0% |
| | Non-Wage | \$781.5 | \$789.7 | \$8.2 | 1.0% |
| | Operating Expenses | \$1,545.5 | \$1,561.5 | \$15.0 | 1.0% |
| | Debt Service | \$462.7 | \$495.9 | \$33.2 | 7.2% |
| | Total Expenses | \$2,008.2 | \$2,057.4 | \$49.2 | 2.5% |
| Structural Deficit | | (\$31.2) | (\$36.5) | \$5.3 | 17.0% |

*Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures



FY19 budget does not include a fare increase; next fare hike expected July 2019

(in millions)

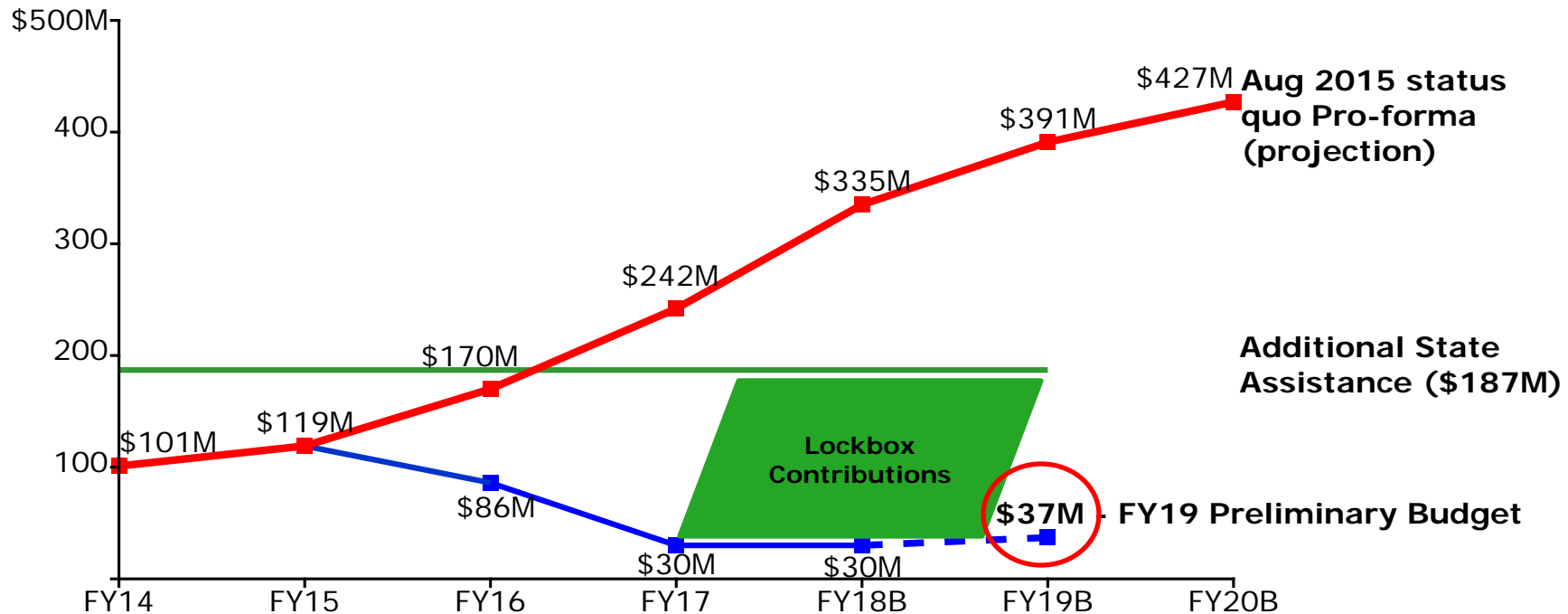
| | |
|---|-----------------|
| FY19 Deficit (Baseline before Trade-Offs) | (\$73.4) |
| Revenue Opportunities* | |
| Corporate Pass Program Initiative | \$8.0 |
| Parking Fee Revision | \$7.0 |
| Advertising Program Expansion | \$6.0 |
| Investment Income | \$4.0 |
| Subtotal Revenue Initiatives | \$25.0 |
| Cost Saving Initiatives | |
| Lean Productivity Programs | \$30.0 |
| RIDE Uber/Lyft Pilot Changes | \$1.0 |
| Voluntary Retirement Incentive Program | \$5.0 |
| Subtotal Cost Saving Initiatives | \$36.0 |
| Service Enhancements | |
| Committed Enhancements (e.g. Early Morning Bus Pilot) | (\$17.4) |
| Other Rationalized Enhancements | (\$6.7) |
| Subtotal Service Enhancements | (\$24.1) |
| FY19 Preliminary Budget | (\$36.5) |

*MBTA does not plan to pursue a fare increase until July 2019 which is Fiscal Year 2020



FY18 deficit \$305M below projections; \$600M of cumulative savings since creation of FMCB

Structural deficit



MBTA management in process of recasting FY18-FY20.

Operating Deficit does not include Additional State Assistance received in FY16 (\$155M), FY17 (\$140.25M) or FY18 Projections (\$127M)



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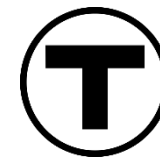
Preliminary Budget Vote for Today

- That the Fiscal and Management Control Board approves the Authority's Preliminary FY19 Itemized Budget of current operating expenses and debt service costs for a one year period — July 1, 2018 through June 30, 2019 — in the amount of \$2,057.4M in the form submitted at this meeting; and
- That the General Manager and Chief Administrator are hereby authorized and directed to submit the Preliminary FY19 Itemized Budget, in the name and on behalf of the Authority, to the MBTA Advisory Board; and
- That following the Advisory Board review, a Final FY19 Itemized Budget will be submitted to the Fiscal Management and Control Board no later than April 15, 2018 in accordance with Section 20 of Chapter 161A of the Massachusetts General Laws.



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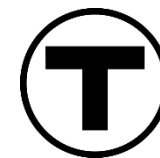


FY19 revenue from all sources up 2.2% over FY18P

| | (\$M) | FY18 BUDGET PROJ | FY19 BUDGET PRELIM. | \$ VARIANCE | % VARIANCE | EXPLANATION |
|-----------------------|----------------------------|------------------------|---------------------------|----------------|---------------|--|
| OPERATING | Fares, all modes | \$667.4 | \$671.4 | \$4.1 | 0.6% | • Corp Pass up \$8M |
| | Own-Source | \$88.6 | \$101.6 | \$13.0 | 14.7% | • Advertising up \$6M • Parking up \$7M |
| | Operating | \$755.9 | \$773.0 | \$17.1 | 2.3% | |
| NON-OPERATING | Dedicated Sales Tax | \$1,003.0 | \$1,032.1 | \$29.1 | 2.9% | • Inflation adjustment per statute |
| | Dedicated Local Assessment | \$166.5 | \$170.1 | \$3.6 | 2.2% | • Inflation adjustment per statute |
| | Other | \$51.7 | \$45.7 | (\$6.0) | -11.6% | • Exclude FY18 one-time revenues |
| | Non-Operating | \$1,221.1 | \$1,247.8 | \$26.7 | 2.2% | |
| Total Revenues | | \$1,977.0 | \$2,020.8 | \$43.8 | 2.2% | |

* FY18P comprised of 7 months (Jul17 – Jan18) actual results and 5 months (Feb18 – Jun18) projected results

Draft for Discussion & Policy Purposes Only

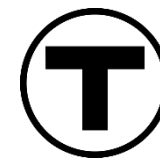


Wages and Benefits

| | (\$M) | FY18 BUDGET PROJ | FY19 BUDGET PRELIM. | \$ VARIANCE | % VARIANCE | EXPLANATION |
|--|---------------------------|------------------------|---------------------------|----------------|---------------|--|
| WAGES | Regular Wages | \$454.0 | \$459.1 | (\$5.1) | -1.2% | • Lean Productivity Programs |
| | Overtime | \$48.9 | \$46.9 | \$2.0 | 4.7% | • Continued management focus |
| | Wages | \$502.9 | \$506.0 | (\$3.1) | -0.6% | |
| BENEFITS AND TAXES | Pension ^ * | \$92.7 | \$96.9 | (\$4.3) | -4.8% | • Forecast ARC |
| | Health | \$104.6 | \$104.6 | \$0.0 | 0.0% | • Average GIC growth of 3.8%, offset by lower headcount |
| | <i>Retiree Health</i> | <i>\$44.0</i> | <i>\$44.0</i> | <i>\$0.0</i> | <i>0.0%</i> | • Average GIC growth of 3.8% |
| | Health & Welfare Fund | \$10.9 | \$10.9 | \$0.0 | -0.2% | |
| | Other Fringes | \$13.1 | \$13.1 | (\$0.0) | 0.0% | • Driven by regular wages |
| | Payroll Taxes | \$39.9 | \$40.2 | (\$0.3) | -0.7% | • Driven by regular wages |
| | Benefits and taxes | \$261.1 | \$265.7 | (\$4.6) | -1.7% | |
| Total Wages, Benefits and Taxes | | \$764.0 | \$771.8 | (\$7.7) | -1.0% | |

^FY18 pension expense is an estimate and will not be finalized until MBTRF and its actuaries complete their 12/2017 investment valuation.

*Pension includes Main Fund, Police, Deferred Compensation Supplement, 401(a) MBTA Match



Non-Wage Operating Expenses (pp. 1/2)

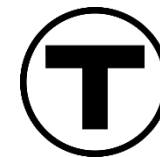
| | (\$M) | FY18 BUDGET PROJ | FY19 BUDGET PRELIM. | \$ VARIANCE | % VARIANCE | EXPLANATION |
|------------------------|-------------------------------|------------------------|---------------------------|----------------|---------------|---|
| MATERIALS AND SERVICES | Materials | \$49.3 | \$43.3 | \$6.0 | 13.0% | • LEAN Productivity Programs |
| | Services | \$115.9 | \$108.5 | \$7.4 | 5.8% | • Flexible contracts |
| | Utilities | \$43.6 | \$43.6 | \$0.0 | 0.0% | • Level-funded due to long term contracts |
| | Fuel | \$16.6 | \$16.8 | \$0.0 | 0.0% | • Level-funded due to long term contracts |
| | Contract Cleaning | \$21.9 | \$23.9 | (\$2.0) | -8.4% | • Contractual |
| | Uniform | \$1.7 | \$1.7 | \$0.0 | 0.0% | • Stable headcount and prices |
| | Materials and Services | \$249.0 | \$237.6 | \$11.4 | 4.6% | |
| INSURANCE | Insurance | \$11.1 | \$11.1 | \$0.30 | 0.0% | |

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Non-Wage Operating Expenses (pp. 2/2)

| | (\$M) | FY18 BUDGET PROJ | FY19 BUDGET PRELIM. | \$ VARIANCE | % VARIANCE | EXPLANATION |
|---------------------------|---------------------------|------------------------|---------------------------|-----------------|---------------|--|
| COMMUTER RAIL | Fixed Price | \$320.5 | \$327.3 | (\$6.8) | -2.1% | • Annual contract escalation |
| | Extra Work and Services | \$37.0 | \$44.0 | (\$7.0) | -18.9% | • Capital work allocated to capital budget |
| | Fuel | \$26.4 | \$26.4 | \$0.0 | 0.0% | |
| | PRIAA | \$16.0 | \$9.3 | \$6.7 | 71.5% | • New contractual expense |
| | Commuter Rail | \$399.9 | \$407.0 | (\$7.2) | -1.8% | |
| LOCAL SERVICE | THE RIDE | \$97.8 | \$110.1 | (\$12.4) | -13.3% | • Call/dispatch center and pilots |
| | Ferry | \$14.0 | \$14.0 | \$0.0 | 0.0% | |
| | LSS Other | \$2.4 | \$2.4 | \$0.0 | 0.0% | |
| | Local Service | \$114.2 | \$126.6 | (\$12.4) | -10.8% | |
| OTHER | Financial Service Charges | \$7.3 | \$7.3 | \$0.0 | 0.0% | |
| Non-Wage Expenses: | | \$781.5 | \$789.7 | (\$8.1) | -1.0% | |



Debt service to increase in Fiscal 2019

| DEBT SERVICE | (\$M) | FY18 BUDGET PROJ | FY19 BUDGET PRELIM. | \$ VARIANCE | % VARIANCE | EXPLANATION |
|--------------|---------------------|------------------------|---------------------------|-----------------|--------------|--------------------------------------|
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | Interest | \$216.6 | \$230.0 | (\$13.3) | -6.4% | • Variable interest rates increasing |
| | Principal | \$244.8 | \$265.9 | (\$21.1) | -8.8% | • Per Amortization Scheduled |
| | Lease | \$1.2 | \$0.0 | \$1.2 | 42.3% | • All leases pre-paid |
| | Debt Service | \$462.7 | \$495.9 | (\$33.2) | -7.2% | |

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